

SENATE BILL REPORT

SHB 1777

As Reported By Senate Committee On:
Consumer Protection & Housing, March 27, 2007

Title: An act relating to charitable organizations that solicit contributions from the public.

Brief Description: Regulating charitable organizations that solicit contributions from the public.

Sponsors: House Committee on Judiciary (originally sponsored by Representatives Rodne, Lantz, Darneille, Kirby, Ahern, Ross, Flannigan, Moeller, Kenney and Morrell; by request of Secretary of State).

Brief History: Passed House: 3/07/07, 96-1.

Committee Activity: Consumer Protection & Housing: 3/15/07, 3/27/07 [DPA-WM].

SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Haugen, Jacobsen, Kilmer, McCaslin and Tom.

Staff: Vanessa Firnhaber-Baker (786-7471)

Background: Under the Charitable Solicitations Act (CSA), the charities program division in the Secretary of State's office registers organizations that solicit money from the public for charitable purposes. The division also makes general information about charitable organizations operating within Washington available to the public.

Summary of Substitute Bill: The purpose of the CSA is broadened to include improving the accountability of charitable organizations and developing educational programs for charitable organizations and the public to increase public trust in charities.

Definitions within the CSA are amended to clarify the intent of the act.

The following changes are made to the registration requirements: (1) consolidated filings are repealed. A so-called parent charitable organization cannot file on behalf of its affiliates; each organization must register separately; (2) commercial fundraisers no longer must include a list of every state where they performed fundraising; (3) registration with the Secretary of State is not required for appeals for donations to a specific person; and (4) charitable organizations must file a copy of a contract entered into with a commercial fundraiser prior to the fundraiser beginning solicitation of donations.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The boards of charitable organizations must review and accept an organization's financial report before it is filed with the Secretary of State (Secretary). If a financial report contains a material misrepresentation, the organization may be held liable and subject to fines.

The Secretary has the authority to develop educational programs for charitable organizations, their board members, and the general public. In order to fund these programs, the Secretary is authorized to charge charitable organizations additional registration fees. The additional fees are deposited to a new account and may be expended without an appropriation. The new account retains its investment earnings.

The Secretary has rulemaking authority to establish independent financial requirements for charitable organizations. These requirements must include, but are not limited to, the following: (1) initial filing by all charitable organizations; and (2) financial reporting by charitable organizations with more than \$1 million in annual gross revenues. The Secretary may require charitable organizations with these larger gross revenues to have provided financial statements that are audited and prepared by an independent certified public accountant.

The Secretary is authorized to create a charitable advisory council to advise on issues relating to charitable organizations, including the educational needs of charitable organizations regarding fiduciary duties.

The Secretary of State is permitted to enter into reciprocal agreements with other states regarding charitable organizations and commercial fund raisers.

Churches and their integrated auxiliaries are not charitable organizations for purposes of this act and are not required to register with the Secretary. Churches are subject to three restrictions when soliciting donations from the public: (1) false or misleading statements made in connection with solicitation are prohibited; (2) commercial fund raisers hired must be registered with the Secretary of State; and (3) harassment or intimidation of potential donors is prohibited.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Consumer Protection & Housing): The charitable education account is subject to a legislative appropriation. The interest gained on the charitable education fund goes to the State General Fund.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Public trust in charities will be increased by this bill. Accountability of charitable organizations will improve through the creation of the education program.

Persons Testifying: PRO: Representative Rodne, prime sponsor; Shane Hamlin, Secretary of State.